GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0238	**Title:**	Fund waste and energy audit for government to reduce operating costs
Primary Sponsor:	Phillips, Mike	**Status:**	As Introduced

☐ Significant Local Gov Impact ☐ Needs to be included in HB 2 ☑ Technical Concerns

☐ Included in the Executive Budget ☑ Significant Long-Term Impacts ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$3,000,000	$0	$0	$0
State Special Revenue	$766,626	$375,991	$387,271	$398,889
Revenue:				
State Special Revenue	$3,000,000	$0	$0	$0
Net Impact-General Fund Balance	($3,000,000)	$0	$0	$0

Description of fiscal Impact:

This bill proposes a one-time transfer of $3.0 million from the state general fund into a new state special revenue account. The bill requires the Department of Environmental Quality (DEQ) to conduct or supervise the energy efficiency audits of all state-owned buildings meeting certain criteria by June 30, 2015. This would require DEQ to setup a new database to track and report energy usage for state buildings, purchase additional metering equipment, and require the hiring of 1.00 FTE.

FISCAL ANALYSIS

Assumptions:

Department of Environmental Quality (DEQ)

1. Agencies and institutions will track and report utility use and cost along with an estimate of greenhouse gas emissions to the department on an annual basis. The department will provide an electronic reporting application and consistent format for the data. This electronic reporting application will include a formula to convert fossil fuel use into an estimate of greenhouse gas emissions.
2. The utility tracking reports will be used by the department in determining which facilities to audit. Following the installation of energy measures, the department will compare the utility use and cost and

include the information in the state buildings energy program's biennial report to the Governor as required under 90-4-605, MCA.

3. The total number of state buildings greater than 1,500 square feet that would be required to track energy savings under this bill is 1,704. The number of buildings that have baseline information already collected is 200. Thus, the increase in buildings needing information collected would be 1,504.
4. The department would need to purchase or develop through contract a database to collect and analyze the necessary utility data to carry out this bill. The estimated cost of the database is $72,640 including $20,000 to purchase the database and $52,640 to collect information and input the necessary data. The estimate is based on $35 per building for 1,504 buildings, and no cost for the additional 200 buildings on which the department has preliminary data.
5. 1.00 FTE will be needed to oversee the contract to develop a database and collect data, to analyze the data and determine which buildings to audit, to review audits, and to use audit results to prepare projects for inclusion in the state buildings energy program. The FTE would be a mechanical engineer budgeted at $65,559 annually for personal services and $29,992 annually for operating costs to support the position, for a total of $95,551 per year in FY 2008. That cost would decline to $90,056 in FY 2009. The reason for this is that one-time costs for computer and office set-up in the first year are not carried forward.
6. The department would establish a program to require each state-owned building meeting certain criteria to undergo an efficiency audit before June 30, 2015. The department would evaluate the results of the audit and identify buildings to include in the state building energy conservation program as provided in 90-4-605, MCA.
7. The costs of audits would be $2,001,544. This calculation is derived from the number of state buildings of various sizes owned by state government, adjusted by the number of buildings that can be exempted because of recent projects completed on the buildings. Audit costs are typically less per square foot for large buildings than for smaller buildings. Costs are adjusted by size of building assuming $0.12 for buildings 30,000 sq. ft. or larger; $0.17 for buildings between 20,000 and 30,000 sq. ft; and $0.22 for buildings between 10,000 and 20,000 sq. ft. Assuming the total audit cost is $2,001,544 over 7 years, the annual cost of audits would be $285,935. The assumptions to reach this conclusion are below:
   Consulting services:

Size of building (sq. feet)	Number of buildings	Number of buildings exempt	Number of buildings to be audited	Average size in square feet	Square ft to be audited	$/sf for audits	Total $ for audits
30,000 or greater	183	(25)	158	70,574	11,150,692	.12	$1,338,083
20,000-30,000	64	(10)	54	23,791	1,284,714	.17	$218,401
10,000-20,000	144	(25)	119	17,000	2,023,000	.22	$445,060

Total = $2,001,544 **Cost/Yr = $**285,935

8. Any income and earnings on the state-owned building efficiency audit special revenue account would be deposited in the account. The money in the account would be used to conduct efficiency audits in state-owned buildings, to collect or gather information for administration of the audit program, or to assist in the implementation of the audits' findings. The money in the account would be statutorily appropriated, as provided in 17-7-502, MCA, to the department. After July 1, 2015, any remaining money in the account would be transferred to the debt service fund established in 17-2-102, MCA. Income and earnings in the account are assumed to be sufficient to cover any inflationary costs of conducting the audits or completing the program.

9. The additional audits completed each year will benefit the state buildings energy program because information will be available for planning purposes without an investment of financed money. In the past, energy audits completed for the program have been paid for using proceeds from general obligation bonds that are paid back over 10-15 years. Completing audits ahead of time, with money that is not financed, will save the financing costs. Those cost savings have not been calculated.
10. Assume that metering equipment will need to be added to buildings on some campuses that have single meters for the campus rather than individual building meters. Assume that 25 buildings would need meters costing $500 each for a total of $12,500, and that these would be installed during FY 2008.
11. Assume that 150 buildings would need water meters at a cost of $2,000 each for a total cost of $300,000 and that these meters would be installed in FY 2008.
12. There are no concerns raised with the statutory appropriation with relation to the guidelines for statutory appropriations listed in 17-1-508, MCA.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
DEQ				
FTE	1.00	1.00	1.00	1.00
Expenditures:				
Personal Services	$65,559	$65,559	$67,198	$68,878
Operating Expenses	$3,701,067	$310,432	$319,745	$329,337
TOTAL Expenditures	$3,766,626	$375,991	$386,943	$398,215
Funding of Expenditures:				
General Fund (01)	$3,000,000	$0	$0	$0
State Special Revenue (02)	$766,626	$375,991	$386,943	$398,215
TOTAL Funding of Exp	$3,766,626	$375,991	$386,943	$398,215
Revenues:				
State Special Revenue (02)	$3,000,000	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($3,000,000)	$0	$0	$0
State Special Revenue (02)	$2,233,374	($375,991)	($386,943)	($398,215)

Long-Range Impacts:

1. There would be a long-term benefit of increased energy savings in state buildings from this effort.
2. Long-term costs beyond 2011 would be about $395,000 per FY due to continuing audit costs and supporting the additional FTE.

Technical Notes:

1. If read literally, the definition of "state-owned buildings" would include only those buildings owned by each agency of all three branches of state government. Section 6 should read "facilities owned by the state and used by any department, office, or agency of any branch of state government.

2. The term “energy” is not defined in section 3. Should the definition include electric, gas and renewable energy sources?

Sponsor’s Initials	*Date*	*Budget Director’s Initials*	*Date*